

**ALASKA MUNICIPAL BOND BANK
AUTHORITY**

BOARD OF DIRECTOR'S MEETING

**TO BE HELD AT
The State of Alaska
State Office Building, 11th Floor
333 Willoughby Avenue
Juneau, Alaska 99801
September 22, 2015
9:00 A.M. ADT**





333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

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AGENDA FOR BOARD OF DIRECTOR'S MEETING

State Office Building
333 Willoughby Ave, 11th Floor
Juneau, Alaska 99801

September 22, 2015 at 9:00 a.m. ADT

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of the August 11, 2015 Meeting of the Board of Directors**
- VI. General Business**
 - A. City of Klawock – Loan Application and Analysis**
 - B. Kenai Peninsula Borough – Updated Loan Analysis (Previous Authorization)**
 - C. Executive Director's Report**
- VII. Public Comments**
- VIII. Board Comments**
- IX. Adjournment**

The Alaska Municipal Bond Bank Authority Meeting

The Alaska Municipal Bond Bank Authority Meeting

The Alaska Municipal Bond Bank Authority will hold a meeting at the State Office Building, 333 Willoughby Ave, 11th Floor, Juneau, Alaska on September 22, 2015 at 9:00 AM ADT.

The meeting will include, but is not limited to, the following agenda items:

City of Klawock - Loan Application and Analysis

Kenai Peninsula Borough - Loan Analysis

Executive Director's Report

The public is invited to attend. Individuals who may need special modifications to participate should

Call: (907) 465-3750 prior to the meeting.

Dated September 4, 2015

Deven Mitchell, Executive Director

[Attachments, History, Details](#)

Attachments

None

Revision History

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Details

Department: Revenue
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Location(s): Statewide
Project/Regulation #:

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Events/Deadlines:



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MINUTES for the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

August 11, 2015

I. CALL TO ORDER

Mark Pfeffer called the meeting to order at 9:34 AM, Alaska Daylight Time. Members participated at the Offices of Wohlforth, Brecht, and Cartledge, 900 West 5th Avenue, Suite 600, Anchorage, Alaska, and by telephone.

II. ROLL CALL

Mark Pfeffer
Michael Lamb
Luke Welles
Pam Leary
Greg Gursey

OTHERS IN ATTENDANCE

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Cindy Cartledge, Bond Counsel, Wohlforth, Brecht & Cartledge
- Chip Pierce, Financial Advisor, Western Financial Group
- Karl Short, Finance Director, Kodiak Island Borough
- Leslie Isaacs, City Administrator, City of Klawock
- Gary Hennigh, Finance Director, City of King Cove
- Marc Greenough, Bond Counsel, Foster Pepper, PLLC
- Laura Janke, Vice President, RBC Capital Markets

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record. The public notice was officially published on 7/13/2015 on the official Alaska Online Public Notice website.

IV. ELECTION OF OFFICERS

This meeting represents the first meeting of fiscal year 2016 for the Bond Bank. The Board reviewed previous officers of the Bond Bank, and held a new election of officers. The board approved Mark Pfeffer as Chair without objection. The board approved Greg Gurse as Co-Chair / Vice President without objection. The board approved Deven Mitchell as Deputy Treasurer without objection. The board revised the position of Secretary Deputy Treasurer from Pam Leary to Ryan Williams. It was discussed that Pam now sits directly on the Board, and Ryan has more constant day-to-day interaction with the Bond Bank's trustee and custodian banks. Ryan Williams still reports directly to Deven Mitchell as Deputy Treasurer on all financial matters. The board approved Ryan Williams as Secretary Deputy Treasurer without objection.

V. APPROVAL OF AGENDA

The agenda was reviewed by the board and approved without objection.

VI. MINUTES of the June 15, 2015 Board of Directors Meeting

The June 15, 2015 minutes were reviewed by the board. Michael Lamb moved to approve the June 15, 2015 minutes as written, and Luke Welles seconded the motion. The minutes were approved as written with no objections.

VII. GENERAL BUISNESS

City of Klawock – Discussion

Mr. Pierce provided a general description of the application received from the City of Klawock. Mr. Pfeffer asked for clarification as to whether the Board is looked upon to take action on the application. Mr. Mitchell explained that the loan application has been provided for discussion purposes, and that there

would be no need for Board action at this time; however, if the underlying project were to reach certain milestones in the near future, an upcoming board meeting would need to be considered. Mr. Pierce outlined that the City of Klawock is requesting a 20 year loan to fund improvements to a city owned building that was previously leased to the Alaska State Troopers, and needs renovations to potentially house the Alaska Court System. The City of Klawock's negotiations are in the final states with the Court System on a 15 year lease at approximately \$6,000 a month. Other tenants in the building include the local police department. The lease, in current negotiations, would be a State subject to appropriation credit. Leslie Isaacs, City Administrator, was asked to further describe the project. Leslie explained that housing the Alaska Court System, along with their local police department creates a great synergy for the City of Klawock, as well as increased employment and economic activity in the community, as well as long-term use and capitalization of their city owned building. The city is expecting bids mid-October 2015, but is looking for financial commitment before signing the lease contract to make sure that work can be completed to accommodate the Court System. The current application has a bond purchase request of \$1.2 million, with plans to retire existing USDA debt of approximately \$200,000 with an interest rate of 4.75% and a final maturity in 2033. Leslie mentioned that to decrease costs, city staff shall conduct some work on renovations. Mr. Mitchell explained that he would keep in contact with Leslie Isaacs, and bring the matter to the board as the project progresses.

Haines Borough – Loan Application and Analysis

Mr. Pierce presented an evaluation of the Haines Borough's loan request for \$1,375,000 for mechanical upgrades to the vocational education building as well as replacement of air handling units at the Haines High School. The Borough has received voter authorization for both projects at an election held on October 7, 2014 for this General Obligation Bond Loan request. The requested term of the loan is 20 years, and the security for the loan comes from property taxes of the Borough. The loan is subject to State debt service reimbursement at a rate of 70%. With the Borough's most recent state-shared revenues of \$42.5 million, and total Bond Bank debt service of \$1.9 million, coverage for the Bond Bank is calculated at approximately 22.3 times. Estimated borrower savings are \$122,000 gross, and \$87,000 on a present value basis. Mr. Pierce noted that the no litigation letter has been received, subsequent to sending the credit review. Mr. Pierce stated the Haines Borough's general fund derives its revenues primarily from ad valorem property taxes at 36.7%, state-shared revenues at 24.3%, and

sales tax at 20.1% in 2014, showing a relatively stable revenue distribution, which has remained steady over the past five fiscal years. The property tax rate was increased 0.23 mils in FY 2016 in order to allow the Borough to maintain a fund balance of just less than 6 months operating reserve. Over the past 5 years the Borough has maintained the general fund balance in the range from \$4.2 million to \$5.1 million – the balance at fiscal year-end 2014 was \$4.5 million, \$2.4 million of which was unassigned. Mr. Pierce mentioned the Borough also maintains a permanent fund, representing the cumulative net proceeds from the sale of municipal lands less construction of public improvements within local improvement districts. The principal balance cannot be spent, and is held in trust for future residents. Only income may be spent, and the Borough Assembly provides for principal protection through inflation proofing. A chart depicted the ending permanent fund balance at fiscal year-end 2014 of above \$8 million. Borough staff reports that there are no current plans for capital projects that will require a bond issuance, and a voter rejected high school roof project was subsequently funded in part by a grant from the State. Based on the sufficient security offered by the Borough, through demonstrated health of the general fund, and state-shared revenues, Mr. Pierce recommended approval of the Borough's loan application. Mr. Pfeffer opened the floor for additional questions. Ms. Leary revisited the State-Aid intercept table for clarification on which fiscal year these values represent. Mr. Mitchell responded that these are as of FY 2015, and current data is being collected as it becomes available to update to 2016. It was estimated that the matching grants would diminish over time as projects complete, but the 2016 value should be close to the 2015 values presented in the table. Mr. Lamb requested an expansion of the credit review summary to touch on operating budgets of communities with a reasonable look back, plus a breakout of general fund components to show the unassigned value available within the general fund. Mr. Pierce acknowledged the request, and would look to incorporate additional details with feedback on how to structure. Mr. Welles made a motion to approve the loan application from the Haines Borough for \$1,375,000, and Mr. Lamb seconded the motion. Mr. Mitchell conducted a roll call vote, and the motion passed unanimously with five yes votes.

Kodiak Island Borough – Loan Application and Analysis

Mr. Pierce presented an evaluation of the Kodiak Island Borough's loan request, a total of \$10,000,000 for two separate school related projects: multi-year renovation and expansion of Kodiak High School (KHS) authorized in 2009, and renewal and replacement projects at several schools around the Borough authorized by voters in 2014. The loan for KHS is a request for \$8 million, and

the loan for renewal and replacements projects is a request for \$2 million, both general obligations with property tax revenues pledged. The requested term of the loan is 20 years for the KHS project, and 10 years for the renewal and replacement projects. The loans are subject to State debt service reimbursement at a rate of not less than 60%. With the Borough's most recent state-shared revenues of \$44.8 million, and total Bond Bank debt service of \$8.1 million, coverage for the Bond Bank is calculated at approximately 5.6 times. Estimated borrower savings are \$601,000 gross, and \$441,000 on a present value basis. Mr. Pierce stated that the no litigation letter has been received. Mr. Pierce noted the Borough's general fund derives its revenues primarily from ad valorem property taxes at 63.4%, with fund balances remaining relatively stable over the last 5 years. Current mil rate is 10.75, unchanged since 2012, with growth in assessed valuation of real property. Mr. Pierce mentioned as of fiscal year end 2014 the balance in the general fund was \$3.5 million, almost all of which is unassigned. The borough also maintains a Facilities Fund, with a balance of \$39.5 resulting from the sale of Shuyak Island to the State, of which the Borough plans to apply investment earnings toward payment of debt service on its GO bonds, including Bond Bank loans. Mr. Pierce mentioned the remaining voter authorization related to Kodiak High School and school renewal and replacement bond measure are \$10.3 million and \$8.2 million respectively. Mr. Pierce recommended approval of the Borough's loan application. Mr. Welles made a motion to approve the loan application from the Kodiak Island Borough for a total of \$10,000,000, and Mr. Lamb seconded the motion. Mr. Mitchell conducted a roll call vote, and the motion passed unanimously with five yes votes.

City of King Cove – Summary

Mr. Pierce presented an evaluation of the King Cove's previously approved authorization for Revenue Bond Loans totaling approximately \$3.1 million for improvements to the City's hydroelectric generating system at Waterfall creek, adjacent to their Delta Creek Facility. The total completed project is expected to cost \$6.8 million and produce approximately 1.0 MW of annual energy. Project funding is a partnership between the State of Alaska, Aleutians East Borough, and the City, with anticipated need for final funding in mid-2016. The city currently requested \$1.5 million of their authorization for this issue, with a potential to downsize the loan amount. The City's electric enterprise system services approximately 150 residential and 150 commercial customers, with current total demand of 5.2 MW, 60% of which is generated by hydro power. With the completion of Waterfall creek, the city expects 75% hydro generation, with the difference coming from diesel. Mr. Pierce noted that approximately

53.1% of enterprise revenues are derived from residential and commercial customers, 28% city-owned electric revenues (charges to other departments), 11.9% harbor, and finance charges and other making up the remainder. Based on 2015 unaudited results, the enterprise fund produced net revenues equal to 1.34 times estimated debt service on the Bond Bank's 2014 and 2015 hydro loans. FY13 and FY14 audited results reflect coverage of less than 1.0 times due to technical issues, and reliance on diesel in unforeseen circumstances, these fuel expenditures have decreased significantly in the most recent unaudited results. The City pledges net revenues from its electric enterprise system, with a requirement for 1.25 times coverage on debt service. The Bond Bank has the ability to intercept state-shared revenues that will otherwise flow to the city, with coverage of 4.52 times including 2015 loan debt service. Savings to the City as a result of borrowing through the Bond Bank are estimated at approximately \$520,000 gross, or \$331,000 on a present value basis. Mr. Pierce recommended approval of the Borough's loan application contingent upon receipt of the no litigation letter from the City. Mr. Pfeffer opened the floor to questions. Mr. Gursey asked what the complications were regarding the switch to diesel generation in the past. Mr. Hennigh fielded the question, describing continual maintenance that has to be completed on the hydro projects, as they are susceptible to volcanic sediment, earthquakes, and other natural occurrences. The city is now well prepared for continued up-keep of each generation facility with constant monitoring. Mr. Welles asked if there was regulation on rates by the RCA. Mr. Hennigh responded that the electric enterprise has full authority to lift rates to increase net revenue. Mr. Lamb made a motion to approve the continuation of King Cove's original authorization contingent upon receipt of the no litigation letter, and Mr. Gursey seconded the motion. Mr. Mitchell conducted a roll call vote, and the motion passed unanimously with five yes votes.

Resolution 2015-04 authorizing the issuance of General Obligation and Refunding Bonds, 2015 Series Three, of the Alaska Municipal Bond Bank

Ms. Catledge introduced resolution 2015-04, authorizing the issuance of a principal amount not to exceed One Hundred Seventy Million Dollars (\$170,000,000) in General Obligation and Refunding Bonds. Ms. Cartledge noted that a supplemental resolution was distributed to the board that includes the name of surety provider, and the board packet contains the form of loan agreement, the form of amendatory loan agreement, and a copy of the preliminary official statement. Ms. Cartledge noted that the 2015 Series Three

bonds will provide for the following purposes: 1) a loan to the University of Alaska, in the principal amount not to exceed \$87.5 million to be used to finance improvements to the University's New Combined Heat and Power Plant; 2) a loan to the City of King Cove, Alaska, in the principal amount not to exceed \$1.5 million to be used to finance electric utility improvements, 3) a loan to the Haines Borough, in the principal amount not to exceed \$1.375 million to be used to finance educational capital improvements, and 4) a loan to the Kodiak Island Borough, Alaska, in the principal amount not to exceed \$10 million to be used to finance educational capital improvements. Certain proceeds of the 2015 Series Three Bonds shall be used to refund or purchase direct, non-callable obligations of the USA, sufficient and available to pay when due the principal of the Refunded Bonds, specifically the 2005 One (current refunding), the 2008 One, and 2008 Series Two Bonds. Additionally to fund the reserve of the 2015 Series Three through a credit enhancement agreement through National Public Finance Guarantee Corporation, including its successors or assigns further described in Exhibit C, Form of Credit Enhancement Agreement. The Chairman or the Executive director shall determine whether it is in the best interest of the Bond Bank to use, in addition to a Credit Enhancement, available cash, proceeds and Credit Enhancement, to satisfy the Reserve Fund Requirement upon delivery of the 2015 Series Three bonds. The bonds will be sold on a negotiated basis, and the true interest cost on the 2015 Series Three bonds shall not exceed four and three-quarters percent (4.75%). Mr. Leary questioned the reasoning behind the choice to use a credit enhancement for this transaction, and if this would be a more common feature. Mr. Pierce yielded to the question, explaining that there is significant negative arbitrage when issuing reserve obligations, and cash funding of the reserve with use of the Custodian account may not be an option moving into the future. There's future potential to take out certain reserve obligations by releasing cash from the reserve through use of a surety policy to satisfy the 2005 reserve requirement. Mr. Welles moved to approve Resolution 2015-04, and Mr. Gursey seconded the motion. Mr. Mitchell conducted a roll call vote, and the motion passed unanimously with five yes votes.

Budget Discussion FY2015 & FY2016

Mr. Williams went over a summary of the direct expenses incurred by the Bond Bank's custodian account for FY15, as well as expenses paid through cost-of-issuance accounts associated with individual series of bonds for FY15. Mr. Williams estimated the total remaining expenses for FY15 close-out - invoicing through the State of Alaska had not yet been completed. When considering direct expenses of the custodian account, combined with expense activity through cost

of issuance accounts, the Bond Bank's expenses are well over \$900,000. However, with refunding transactions throughout FY15, and the structure in place to recoup fees associated with community based expenses, The Bond Bank was able keep its share of expenses under authorization. Mr. Williams explained that moving forward, management would need to keep a close eye on expenses, especially with active issuing and the unknown amount of refunding that may occur in a single fiscal year. Mr. Pfeffer asked to include these snap-shot summaries on a regular basis for Board Meetings, as well as a one to two page summary showing historical investment earnings of funds to keep the Board apprised of broad ranging fund activity. These summary reports will now be made part of the meeting format.

Executive Director's Report

Mr. Mitchell, Executive Director, reported the following items to the Board:

Underwriting Pool - Based on the evaluation committee's review of proposals the firms of RBC Capital, Bank of America Merrill Lynch, JP Morgan, and Goldman Sachs were selected to the Bond Bank's underwriter pool.

The application for Regional Health Corporations has been created and initially distributed to interested parties. Tanana Chiefs Conference is considering a refinancing of their Fairbanks health center and Yukon Kuskokwim Health Corporation is working on the financing of hospital expansion in Bethel.

I have been working with the Yukon Kuskokwim Health Corporation's finance working group over the last month and have been asked to participate in a trip to Washington DC with USDA and YKHC representatives potentially in late August.

The quarterly ethics disclosure filings have been made for the second quarter of 2015.

On June 17, 2015 BDO, the Bond Bank's auditor provided the attached agreement to provide services and letter to the Board of Directors in preparation for the upcoming FY 2015 audit.

On June 19, 2015 I sent the attached letter to the Bank of New York letting them know of the Bond Bank's intent to terminate their contract to provide trustee/paying agent services to the Bond Bank. This action was taken due to repeated failures to perform and complaints from communities on the quality of service.

Mr. Welles commented on the application for regional health organizations, supplying additional ideas for relevant background information. General items of interest include ownership of land / land transfer rights and needing warranty deed, GASB not FASB done by IHS is critical, IHS compact agreement, and standardized language for agreement for all entities. The Board is in consideration of a working group for financing regional health organization transactions.

VIII. PUBLIC COMMENTS

There were none.

IX. BOARD COMMENTS

There were none.

X. ADJOURNMENT

Mr. Pfeffer adjourned the meeting without objection at 12:02 p.m.

Mark Pfeffer, Chairman

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	City of Klawock
Loan Amount:	\$1,400,000
Project Type:	Court building
Project Description:	The City will use the Bond Bank funds to make improvements to the existing Public Safety Building that was designed for the State Troopers. The improvements will make the building suitable to serve as a courthouse for the Alaska Court System. In addition, the City will refund an existing 2002 loan from the US Department of Agriculture Rural Development division. The State has signed a 15-year lease for the building that includes two 5-year renewal provisions.
Term of the loan:	25 years
Transaction Security:	A pledge of lease payments subject to annual appropriation by the State legislature.
Revenues Expected to Make Lease Payments:	Annual State lease payments
Estimated Annual Revenues for Payment:	\$72 thousand
Estimated Annual Principal and Interest:	Approximately \$90 thousand through 2032, then dropping to approximately \$72 thousand through 2040
Total Bond Bank Annual Debt Service:	\$90 thousand
Most Recent FY Debt Service Coverage Ratio:	N/A
Most Recent FY State-Shared Revenues (SSR):	\$319 thousand
Debt Service Coverage of AMBB DS from SSR:	3.54x
Subject to State Debt Service Reimbursement:	No
Estimated Borrower Savings (Gross):	\$362 thousand
Estimated Borrower Savings (Present Value):	\$263 thousand
No Litigation Letter Received:	yes

Application Evaluation

City of Klawock

Introduction

The City of Klawock (the “City”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a loan totaling not to exceed \$1,400,000. The Bond Bank funds will be used to make improvements to a building owned by the City. The following is our review of the project and the security provisions of this transaction.

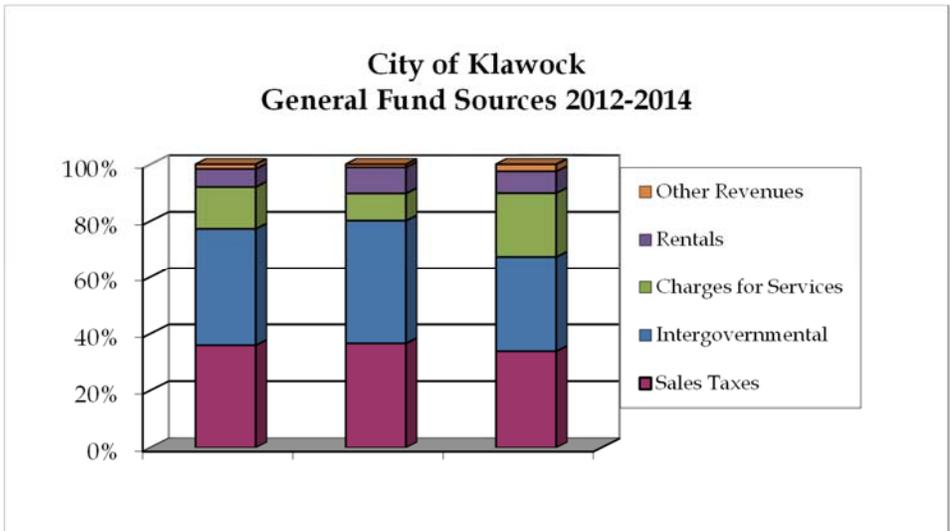
The Project

The Klawock Public Safety Building is a single story pre-engineered metal structure. A 2,000 square foot steel framed addition to the back (north) of the building was completed in November 2014 and was designed for a State Trooper office, but the State Troopers located to Craig prior to completion of the addition. The City of Klawock Police Department occupies that space now. The total gross square footage of the overall building is 5,037 square feet. The Bond Bank loan will be used to reconfigure the rest of the building to make it suitable to act as court facilities for the State Court System. The building will serve the court needs of Prince of Wales Island, but could ultimately serve as a Superior Court for Prince of Wales, Wrangell and Petersburg. In addition to the loan for the court-related renovations, the City will use loan proceeds to refund a 2002 loan related to the original construction of the building.



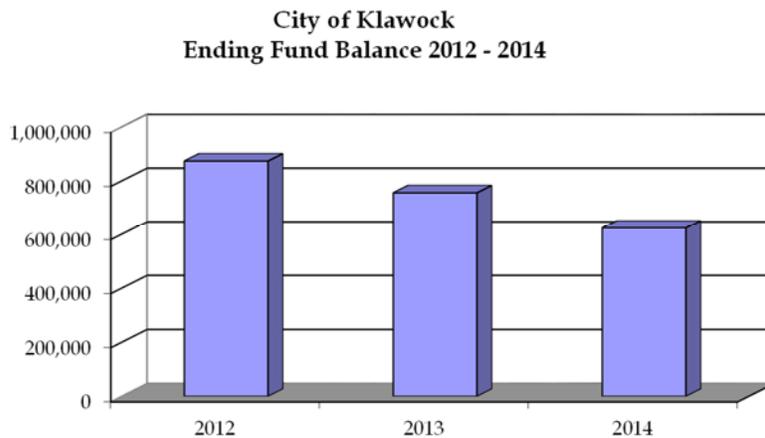
City Financial Position

The City expects to pay the Bond Bank obligation from lease payments from the State, but it has historically made payments on an earlier USDA loan related to the building from General Fund revenues. Consequently, the condition of the City’s General Fund is relevant to this transaction. The City’s General Fund derives its revenues primarily from sales tax revenues (33.8% in 2014), intergovernmental revenues (33.5% in fiscal year 2014) and charges for services (22.5% in 2014). The graph to the right presents the City’s General Fund revenue distribution over the most recent three fiscal years for which audited financial statements are available.



This diversification of financial resources enhances the City’s financial strength. As the graph indicates, intergovernmental revenues and sales taxes have consistently been the primary source of General Fund revenue over the past three years, accounting for 39.3% and 35.3 of total General Fund resources, respectively. Charges for services are next in importance, averaging 15.9% of General Fund revenues over the same period. Rental revenues of City properties have averaged 7.7% over the past three years. In addition to the revenue sources described above, the City operates a liquor store. The City annually transfers revenues from the Liquor Store Fund to the General Fund. In fiscal year 2014 that transfer amounted to \$200 thousand.

The graph below presents the General Fund year-end balance for fiscal years 2012 through 2014. General Fund balances during this period ranged from 46.3% (in 2012) of expenditures and to 28.2% (in 2014).



City staff report that the decline in the General Fund balance from 2012 to 2013 was, in part, due to paying for the City’s Totem Pole Raising Party, which resulted in a capital outlay of \$64,000. The party marked the completion of the 20-year Totem Pole Restoration project, and as such, is a non-recurring expenditure.

The decline in the General Fund balance from 2013 to 2014 is a result of two capital projects, Harbormaster Building and Carving Shed, funded, in part, with General Fund monies. These two projects involved a capital outlay of \$63,000 and \$47,000 respectively. City staff do not anticipate using General Fund money for any upcoming capital projects.

In addition, the City is examining ways to cut General Fund expenses. Specifically, the City has implemented a new fringe benefit program that is expected to cut operating expenses by approximately \$70,000 in fiscal year 2016.

Future Capital Plans

The City does not have any plans for projects that will require bonding at this time.

State Aid Intercept

The Bond Bank has the authority to intercept state revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. The state aid intercept is a significant credit strength. The table on the following page presents the City’s revenues subject to intercept compared to estimated annual debt

service on the current financing.

Shared Taxes and Fees	\$8,492
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$0
Education Support Funding	\$0
Matching Grants	\$0
Community Jails	\$0
PILT Transfers	\$182,411
Revenue Sharing	\$128,145
Total Revenue Subject to Intercept	\$319,048
Maximum Annual Debt Service (2015 Loan DS)	\$90,000
Debt Service Coverage	3.54

Estimated Borrower Savings

Savings to the City as a result of borrowing through the Bond Bank are estimated at approximately \$362 thousand or \$263 thousand on a present value basis. Savings are a result of lower interest rates and lower costs of issuance that the City will face as a result of issuing through the Bond Bank rather than on its own.

Security and Repayment

The City will pledge to pay the loan payments from lease revenues received from the State. It is important to note that the lease revenues from the State are subject to annual appropriation by the State Legislature.

The City will fund a debt service reserve on the loan equal to the maximum allowed under federal tax law. The City has indicated that it may fund the debt service reserve with cash on hand, rather than with bond proceeds. The reserve will be held by the Bond Bank's trustee.

Financing Conditions

This is an unusual type of loan request to the Bond Bank. Consequently, certain conditions that would not typically be necessary will be required. These include:

1. The City will make its debt service payments on a one-sixth of interest/one-twelfth of principal basis to the Bond Bank's trustee.
2. If the State Court vacates the building, the City will use its best efforts to find a suitable tenant, including City departments, to replace the revenues that have been pledged to the Bond Bank loan. In the event a City department occupies the vacated space, the City will impose rents sufficient to service the Bond Bank loan.
3. Bond Bank consent will be required prior to the sale of any or all of the building.
4. In the event of a sale of all or any portion of the building, the proceeds of the sale will be first applied toward defeasance of the Bond Bank loan.
5. The State Aid Intercept provision will be embedded in the loan agreement.
6. No additional debt secured by the State lease revenues pledged to this loan will be permitted without consent by the Bond Bank.

Statement of No Litigation

The Bond Bank has received a letter from David O. Thompson, the counsel to the City, dated September 15, 2015 stating that “there is no litigation pending or threatened in any court in any way ... affecting the corporate existence of City... or seeking to restrain or enjoin the issuance, sale or delivery the Bond, or the right of the City to establish and collect rent for the use of certain City facilities pledged or to be pledged to pay the principal of and interest on the Bond, ... or in any way contesting or affecting the validity or enforceability of the Bond or the loan agreement proposed to be entered into between the applicant and the Bond Bank...”

Summary

Based on our assessment, the pledge of State lease payments combined with the conditions detailed in this credit summary provides sufficient security to justify approval of the application. This security is augmented by the City level debt service reserve held by the Bond Bank’s trustee, as well as the coverage levels provided by revenues subject to state intercept.

For these reasons, we recommend approval of this application. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce". The signature is stylized and includes a horizontal line extending to the right.

Chip Pierce

Klawock Economic and Demographic Information

Klawock is located on the west coast of Prince of Wales Island, on Klawock inlet, across from Klawock Island. It is 56 air miles from Ketchikan, 7 miles from Craig, and 24 miles from Hollis. The population has grown from about 260 recorded in the 1890 census to approximately 800 today.

Early inhabitants were from Tuxekan, a Tlingit winter village to the north. Klawock was used as a summer fishing camp, and has been known as Klawerak, Tlevak, Clevak, and Klawak. The history of Klawock is closely tied to the fishing industry. A trading post and salmon saltery were established in 1868, and the first cannery in Alaska was built here by a San Francisco firm in 1878. Between 1897 and 1917 a salmon hatchery for red salmon operated at Klawock Lake. Two more canneries opened in 1920 and 1924. In 1934 Congress passed the Wheeler Howard Act which made federal funds available to Klawock for cannery operations, but only if residents voted to keep their community free of liquor. At the same time Klawock Cooperative Association was formed as a non-profit organization to own and operate the cannery.

In 1912 Klawock residents established the Alaska Native Brotherhood and Alaska Native Sisterhood as non-profit organizations. With donations and volunteer labor, residents built the Klawock ANB-ANS hall in 1930. The hall served as a town hall and multi-service/community center. Klawock became an incorporated city in 1929. The post office was established in 1882.

Klawock is a major center of Tlingit culture. Each year the local Alaska Native Brotherhood and Sisterhood sponsor the Elizabeth Peratrovich Celebration in February with ceremonies and a potluck. The City also sponsors a week long summer festival "Celebration by the Sea." Klawock's Totem Park has the largest collection of authentic totem poles in Alaska. The park displays original and replica totems from the old village of Tuxekan. The City, assisted by the village corporation's donation of whole logs, recently built a carving shed to house many of the totem poles during restoration.

Klawock is also home to the second oldest hatchery in Alaska. The hatchery enhances the local salmon runs including sockeye (reds), coho (silvers), and steelhead (sea-going rainbow trout). Besides fishing, the economy is supported by a local sawmill and area logging operations.

The City of Klawock has a mayor/council form of government. It runs and operates the following utilities: water, wastewater, refuse collection, trailer court, landfill, boat harbor, liquor store, and a new boat ramp. There is a five and one half percent sales tax in Klawock, which 1/2 percent goes directly to education. There is no property tax in the City. Klawock is not part of an organized borough.

The City of Klawock has two full time officers and the State Troopers have an office in the community. The Klawock Volunteer Fire Department has 27 members, 2 trucks, and a rescue van. The EMS squad is made up of 6-8 trained volunteers, has 2 ambulances, and makes an average of 1 run per day. The Klawock Search and Rescue is made up of 57 members, 2 rescue vans, and serves all of Prince of Wales Island, both in water and land rescues.

Klawock has an airport as well as a float plane dock. The airport runway is 5000 feet long and is paved. The Hollis Ferry Terminal is located 24 miles from Klawock. There are several flights each day and daily departures from the Hollis Ferry Terminal.

The City of Klawock operates 2 schools; one with grades K-6 and a second with grades 7-12. Enrollment averages 200 yearly. Tlingit and Haida Central Council runs the Head Start school for 3-4 year olds.

Klawock has a new clinic owned and operated by Southeast Alaska Regional Health Corporation. The clinic provides a full range of services.

Appendix:

**City of Klawock
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds**

2012 - 2014

CITY OF KLAWOCK
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	POW Voc-Ed Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	1,083,104	65,978			1,149,082
Receivables (net of allowances for uncollectibles)					
Accounts	208,490				208,490
Grants	47		210,176	25,248	235,471
Special assessments		724,170			724,170
Sales tax	182,302				182,302
Advance to other fund	20,000				20,000
Interest					
Other					
Prepaid expenses	7,535				7,535
Interfund receivable	56,096			115,499	171,595
Total assets	<u>\$ 1,557,574</u>	<u>\$ 790,148</u>	<u>\$ 210,176</u>	<u>\$ 140,747</u>	<u>\$ 2,698,645</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	28,232	83,877	77,019		189,128
Payroll and payroll taxes payable	3,579				3,579
Other payables	64,446				64,446
Deferred revenue	578,271	724,150		115,499	1,417,920
Annual leave payable	9,273				9,273
Interfund payable		11,922	133,157	25,248	170,327
Accrued interest payable		13,937			13,937
Total liabilities	<u>683,801</u>	<u>833,886</u>	<u>210,176</u>	<u>140,747</u>	<u>1,868,610</u>
FUND BALANCES					
Nonspendable - prepaid expenses	7,535				7,535
Restricted for debt service		65,978			65,978
Assigned to holiday functions	8,941				8,941
Assigned to heritage functions	40,517				40,517
Unassigned	816,780	(109,716)			707,064
Total fund balances	<u>873,773</u>	<u>(43,738)</u>			<u>830,035</u>
Total liabilities and fund balances	<u>\$ 1,557,574</u>	<u>\$ 790,148</u>	<u>\$ 210,176</u>	<u>\$ 140,747</u>	<u>\$ 2,698,645</u>

CITY OF KLAWOCK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General	Debt Service	POW Voc- Ed Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	651,432				651,432
Intergovernmental	750,992		329,570	104,305	1,184,867
Charges for services	267,535				267,535
Rentals	115,788				115,788
Special assessments		41,125			41,125
Citations	2,678				2,678
Donations	19,933				19,933
Interest	5,883	31,302			37,185
Miscellaneous	939				939
Total revenues	<u>1,815,180</u>	<u>72,427</u>	<u>329,570</u>	<u>104,305</u>	<u>2,321,482</u>
Expenditures					
Current					
General government	371,775				371,775
Public safety	340,940				340,940
Health and human services	211,353				211,353
Public works	261,656				261,656
Culture	41,145				41,145
Lease and rental	29,031				29,031
Harbor	9,609				9,609
Educational and youth	581,477				581,477
Capital outlay	40,121		329,570	104,305	473,996
Debt service					
Principal retirement		27,496			27,496
Interest and fiscal charges		53,425			53,425
Total expenditures	<u>1,887,107</u>	<u>80,921</u>	<u>329,570</u>	<u>104,305</u>	<u>2,401,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,927)</u>	<u>(8,494)</u>			<u>(80,421)</u>
Other Financing Sources (Uses)					
Transfer in	237,061	47,282			284,343
Transfer out	<u>(77,281)</u>				<u>(77,281)</u>
Total other financing sources (uses)	<u>159,780</u>	<u>47,282</u>			<u>207,062</u>
Net change in fund balances	<u>87,853</u>	<u>38,788</u>			<u>126,641</u>
Fund balances beginning of year	<u>785,920</u>	<u>(82,526)</u>			<u>703,394</u>
Fund balances end of year	<u>\$ 873,773</u>	<u>\$ (43,738)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830,035</u>

CITY OF KLAWOCK
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General	Debt Service	POW Voc- Ed Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	1,058,685	193,504			1,252,189
Receivables (net of allowances for uncollectibles)					
Accounts	169,026				169,026
Grants	47		159,389	29,153	188,589
Special assessments		569,263			569,263
Sales tax	159,335				159,335
Prepaid expenses	220				220
Interfund receivable	130,062			115,499	245,561
Total assets	<u>\$ 1,517,375</u>	<u>\$ 762,767</u>	<u>\$ 159,389</u>	<u>\$ 144,652</u>	<u>\$ 2,584,183</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	113,315	83,877	141,800		338,992
Payroll and payroll taxes payable	12,575				12,575
Other payables	6,735				6,735
Deferred revenue	614,399	569,243		115,499	1,299,141
Annual leave payable	14,536				14,536
Interfund payable		11,922	17,589	29,153	58,664
Accrued interest payable		16,955			16,955
Total liabilities	<u>761,560</u>	<u>681,997</u>	<u>159,389</u>	<u>144,652</u>	<u>1,747,598</u>
FUND BALANCES					
Nonspendable - prepaid expenses	220				220
Restricted for debt service		193,504			193,504
Assigned to library functions	72				72
Assigned to holiday functions	344				344
Assigned to heritage functions	86,849				86,849
Unassigned	668,330	(112,734)			555,596
Total fund balances	<u>755,815</u>	<u>80,770</u>			<u>836,585</u>
Total liabilities and fund balances	<u>\$ 1,517,375</u>	<u>\$ 762,767</u>	<u>\$ 159,389</u>	<u>\$ 144,652</u>	<u>\$ 2,584,183</u>

CITY OF KLAWOCK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General	Debt Service	POW Voc- Ed Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	641,452				641,452
Intergovernmental	765,045		677,028	82,253	1,524,326
Charges for services	167,913				167,913
Rentals	161,463				161,463
Special assessments		159,040			159,040
Citations	1,461				1,461
Donations	14,784				14,784
Interest	1,602	15,145			16,747
Miscellaneous	933				933
Total revenues	<u>1,754,653</u>	<u>174,185</u>	<u>677,028</u>	<u>82,253</u>	<u>2,688,119</u>
Expenditures					
Current					
General government	459,440				459,440
Public safety	375,783				375,783
Health and human services	284,550				284,550
Public works	333,943				333,943
Culture	30,996				30,996
Lease and rental	27,035				27,035
Harbor	19,114				19,114
Educational and youth	467,642				467,642
Capital outlay	40,699		677,028	83,833	801,560
Debt service					
Principal retirement		33,914			33,914
Interest and fiscal charges		43,387			43,387
Total expenditures	<u>2,039,202</u>	<u>77,301</u>	<u>677,028</u>	<u>83,833</u>	<u>2,877,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(284,549)</u>	<u>96,884</u>		<u>(1,580)</u>	<u>(189,245)</u>
Other Financing Sources (Uses)					
Transfer in	201,634	27,624		1,580	230,838
Transfer out	(35,043)				(35,043)
Total other financing sources (uses)	<u>166,591</u>	<u>27,624</u>		<u>1,580</u>	<u>195,795</u>
Net change in fund balances	<u>(117,958)</u>	<u>124,508</u>			<u>6,550</u>
Fund balances beginning of year	<u>873,773</u>	<u>(43,738)</u>			<u>830,035</u>
Fund balances end of year	<u>\$ 755,815</u>	<u>\$ 80,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 836,585</u>

CITY OF KLAWOCK
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	POW Voc-Ed Grant Fund	POW Voc-Ed Equipment Grant Fund	Public Safety Building Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	1,065,177	163,204					1,228,381
Receivables (net of allowances for uncollectibles)							
Accounts	259,544						259,544
Grants				425,084	493,479	35,023	953,586
Special assessments		569,875					569,875
Sales tax	156,608						156,608
Prepaid expenses	220						220
Interfund receivable			26,500			135,488	161,988
Total assets	<u>\$ 1,481,549</u>	<u>\$ 733,079</u>	<u>\$ 26,500</u>	<u>\$ 425,084</u>	<u>\$ 493,479</u>	<u>\$ 170,511</u>	<u>\$ 3,330,202</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	76,791	83,877	22,539	365,617	483,398	3,770	1,035,992
Payroll and payroll taxes payable	12,409						12,409
Other payables	69,190						69,190
Unearned revenue	596,278	569,854	3,961			131,718	1,301,811
Annual leave payable	9,963						9,963
Interfund payable	93,419	11,922		59,467	10,081	35,023	209,912
Accrued interest payable		18,685					18,685
Total liabilities	<u>858,050</u>	<u>684,338</u>	<u>26,500</u>	<u>425,084</u>	<u>493,479</u>	<u>170,511</u>	<u>2,657,962</u>
FUND BALANCES							
Nonspendable - prepaid expenses	220						220
Restricted for debt service		163,204					163,204
Assigned to holiday functions	344						344
Assigned to heritage functions	86,849						86,849
Unassigned	536,086	(114,463)					421,623
Total fund balances	<u>623,499</u>	<u>48,741</u>					<u>672,240</u>
Total liabilities and fund balances	<u>\$ 1,481,549</u>	<u>\$ 733,079</u>	<u>\$ 26,500</u>	<u>\$ 425,084</u>	<u>\$ 493,479</u>	<u>\$ 170,511</u>	<u>\$ 3,330,202</u>

CITY OF KLAWOCK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Debt Service	POW Voc-Ed Grant Fund	POW Voc-Ed Equipment Grant Fund	Public Safety Building Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	675,760						675,760
Intergovernmental	671,304		2,187,168	578,516	773,620	260,045	4,470,653
Charges for services	450,790						450,790
Rentals	153,858						153,858
Special assessments		11,609					11,609
Citations	2,022						2,022
Donations	46,017						46,017
Interest	1,388	4,750					6,138
Miscellaneous	100						100
Total revenues	<u>2,001,239</u>	<u>16,359</u>	<u>2,187,168</u>	<u>578,516</u>	<u>773,620</u>	<u>260,045</u>	<u>5,816,947</u>
Expenditures							
Current							
General government	435,211						435,211
Public safety	398,530						398,530
Health and human services	490,209						490,209
Public works	313,450						313,450
Culture	113,610						113,610
Lease and rental	23,867						23,867
Harbor	23,604						23,604
Educational and youth	360,726						360,726
Capital outlay	55,061		2,187,168	578,516	773,620	326,541	3,920,906
Debt service							
Principal retirement		23,282					23,282
Interest and fiscal charges		42,896					42,896
Total expenditures	<u>2,214,268</u>	<u>66,178</u>	<u>2,187,168</u>	<u>578,516</u>	<u>773,620</u>	<u>326,541</u>	<u>6,146,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(213,029)</u>	<u>(49,819)</u>				<u>(66,496)</u>	<u>(329,344)</u>
Other Financing Sources (Uses)							
Transfer in	284,367	17,790				66,496	368,653
Transfer out	<u>(203,653)</u>						<u>(203,653)</u>
Total other financing sources (uses)	<u>80,714</u>	<u>17,790</u>				<u>66,496</u>	<u>165,000</u>
Net change in fund balances	<u>(132,315)</u>	<u>(32,029)</u>					<u>(164,344)</u>
Fund balances beginning of year	<u>755,815</u>	<u>80,770</u>					<u>836,585</u>
Fund balances end of year	<u>\$623,500</u>	<u>\$ 48,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$672,241</u>



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or

I. General Information

A. Name of Governmental Unit (Applicant):

City of Klawock

B. Type of government (home rule, first class, authority, etc.):

1st Class City

C. Contact Person for the government:

Name:		Title:	
Leslie Isaacs		City Administrator	
Address:		City:	State: Zip:
550 Summit Street		Klawock	AK 99925
Phone:	Fax:	E-mail:	
(907) 755-2261	(907) 755-2403	lisaacs@cityofklawock.com	

D. Applicant's Bond Counsel:

Name:		Title:	
David Thompson		Partner	
Address:		City:	State: Zip:
925 Fourth Avenue Suite 2900		Seattle	WA 98104
Phone:	Fax:	E-mail:	
(206) 370-8395	(206) 370-6191	david.thompson@klgates.com	

E. Applicant's Financial Advisor or Underwriter (if applicable):

Name:		Title:	
N/A		N/A	
Address:		City:	State: Zip:
N/A		N/A	N/A N/A
Phone:	Fax:	E-mail:	
N/A	N/A	N/A	

II. Issue Information

A. Total amount of bond purchase request:

\$1,200,000

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months: _____ **principal** / **interest** _____ **interest only**

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition. Attached

If a bond election has been held, provide the votes for and against the issue(s):

Yes:	No:	Percent of registered voters casting ballots:
		%

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details of the additional security. Attached

Yes, Lease Revenue from the Alaska Court System

E. Will you need interim financing?

1. If applicable, provide interim financing information:

Amount:	Maturity:	Rate:	Lender:

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. Attached

F. Describe project to be financed, including the information requesting in 1-6. If this information

- Are engineering and specifications completed? Yes No
- If not, when are they projected for completion? July 1, 2015
- Have construction bids been awarded? Yes No
- Are there additional state or local approvals required? Yes No
- Describe timing/scheduling plan: We plan to have this construction RFP advertised in July 2015 with an anticipated bid award date in September 2015.

6. What is the projected completion date? Construction is planned to be completed in 2015

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$ 1,200,000	Construction	\$ 890,000
Federal Funds*		Engineering	\$ 90,000
State Funds*		Contingency	
Applicant's Funds		Cost of Issuance	\$ 20,000
Other (specify)		Other	\$ 200,000
Total:	\$ 1,200,000	Total:	\$ 1,200,000

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:
We will also retire existing USDA debt of approximately \$200,000

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. Attached

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? Yes No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? Yes No

If yes, please attach details. Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? Yes No

If yes, please attach an explanation. Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? Yes No

If yes, please attach an explanation. Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. Attached.

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) Attached

Are any of the community's major employers expected to make changes in work force or operations?

If yes, provide an explanations. Attached

J. Please provide population figures for your community for the last five years. Indicate the source of

Year	Population	Source
2010	755	Alaska Population Estimates DCCED
2011	808	Alaska Population Estimates DCCED
2012	798	Alaska Population Estimates DCCED
2013	785	Alaska Population Estimates DCCED
2014	802	Alaska Population Estimates DCCED

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. Attached

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been preformed). Attached

N. Provide your current year's budget. Attached

O. Provide your capital improvement plan. Attached

P. Provide any other financial or economic information that will assist evaluation of your application. Attached

IV. Legal Information

A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court in any way:

1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
2. against your government or involving any of the property or assets of or under the control of your government, which, whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.

B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.

C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

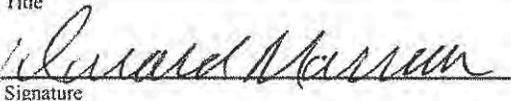
The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Donald Marvin

Name (print)

Mayor

Title



Signature

25-Jun-15

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us

- A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.
-
- B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues?
- No, but we do have two Local Improvement District financed projects.
- C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects?
- Yes, Mary Jackson Subdivision LID's
 - Electrical LID's – Property Owner fee
 - Water/Sewer LID's – Property Owner fee
- D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds?
- No
- E.
- F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued.
- None authorized
- G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.
- There are no plans at this time to issue future bonds.
- H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.)
- The economy in Klawock has remained rather stable, even increasing over the last seven (7) years as evidenced by the amount of sales tax remitted to the City of Klawock from our businesses. The following is a chart of sales tax collected by Fiscal Year:

• FY2014	\$ 608,566.71
• FY2013	\$ 573,926.89
• FY2012	\$ 589,534.31
• FY2011	\$ 556,231.01
• FY2010	\$ 558,572.96
• FY2009	\$ 511,046.04
• FY2008	\$ 594,009.27
 - Are any of the community's major employers expected to make changes in work force or operations?
 - SEARHC – Critical Access Hospital Expansion will add another 88 year round positions to their already existing 83 positions as of 2013. The projected annual increase in payroll is approximately \$5,000,000.

I.

J.

K.

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years.

- We do not assess property tax within the City limits of Klawock. The State of Alaska has assessed the real property in Klawock at the following amounts for the last five years:

• FY2014	\$ 54,071,400
• FY2013	\$ 54,109,700
• FY2012	\$ 55,775,700
• FY2011	\$ 51,898,400
• FY2010	\$ 53,604,400
• FY2009	\$ 53,607,400

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed).

- Our FY13 audit is attached
- Our FY14 will be done by the end of July 2015

N. Provide your current year's budget

- Our FY15 2nd revision and FY16 Budget is attached

O. Provide your capital improvement plan.

- We have attached our Comprehensive Community Plan from 2007.

P. Provide any other financial or economic information that will assist evaluation of your application.

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	Kenai Peninsula Borough
Loan Amount:	Initial Application – Not to exceed \$43,000,000 This loan – Approximately \$3.05 million
Project Type:	Specialty clinics associated with Central Peninsula Hospital
Project Description:	The Borough will apply the proceeds of the Bond Bank loans toward the construction and the equipping of a Specialty Clinic Building scheduled for completion in late 2015 or early 2016. Benefits of the SCB include addressing the lack of space for the spine clinic, space for additional specialties, aligning service lines to include imaging, rehab therapy, infusion oncology and physician clinics to foster a more integrated model of service deliveries that promotes efficiency and patient satisfaction.
Term of Loan:	8 years
Revenues Pledged to Loan:	Gross hospital revenues
Most Recent FY Pledged Revenues (FY 2015, unaudited):	\$144.0 million
Estimated Annual Debt Service (includes 2015 loan):	\$3.8 million
Total Bond Bank Fiscal Year 2016 Debt Service:	\$13.96 million
Most Recent FY Debt Service Coverage Ratio:	37.9X
Most Recent FY State-Shared Revenues (SSR):	\$104.2 million
Debt Service Coverage of AMBB DS from SSR:	7.47x
Loan Subject to State Debt Service Reimbursement:	No
Estimated Borrower Savings (Gross):	\$134 thousand
Estimated Borrower Savings (Present Value):	\$118 thousand
No Litigation Letter Received:	Yes (as of April 2, 2015)

Loan Application Evaluation

Kenai Peninsula Borough

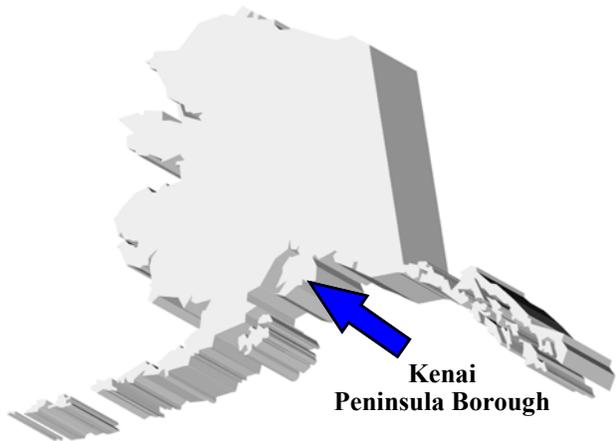
Introduction

Kenai Peninsula Borough (the “Borough”) previously submitted an application to the Bond Bank for a loan not to exceed \$43,000,000. In 2014 the Bond Bank issued \$32.49 million related to this request and earlier this year the Bond Bank funded a direct loan totaling \$3.2 million. The Borough will use this loan to equip the specialty clinics associated with Central Peninsula General Hospital. The Borough expects this will be the final loan request associated with \$43 million authorization. We have completed our review of this application and following is our overview of this project and the security provisions associated with the loan.

The Project

Central Peninsula Hospital (CPH) is constructing a three story Specialty Clinics Building (SCB) consisting of approximately 88,000 square feet. In 2003, the Central Kenai Peninsula Hospital Service Area sold \$49.9 million of bonds to expand and renovate the hospital as part of Phase I, II, & III of a comprehensive Hospital redevelopment plan.

Construction of a Specialty Clinic Building began in 2014 with completion scheduled for early 2016. The SCB will address the lack of space for the spine clinic and additional specialties, align service lines to include imaging, rehab therapy, infusion oncology and physician clinics to foster a more integrated model of service deliveries. Construction of the SCB will also allow CPH to complement services in the newly build Radiology Oncology Clinic. This is Phase V of a plan that was developed in 2003 and updated in 2006, 2009 and 2012.



Central Peninsula General Hospital Financial Position

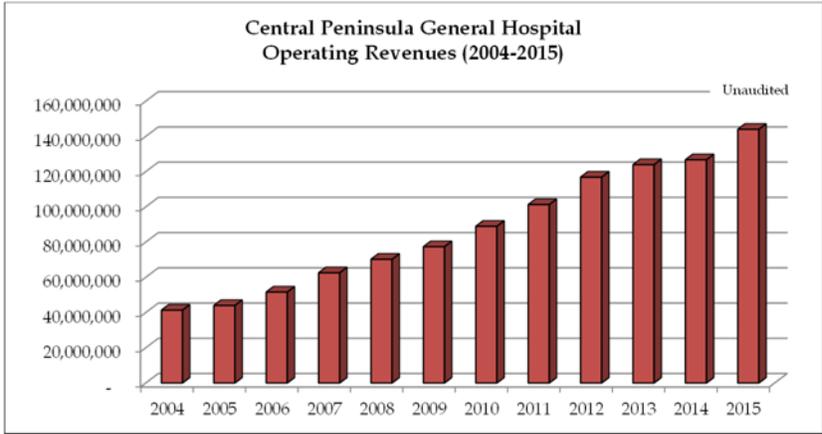
Kenai Peninsula Borough owns the facilities of Central Peninsula General Hospital and the land that the Hospital’s facilities occupy. Central Peninsula General Hospital, Inc. is a 501(c)(3) organization that has operated CPGH on behalf of the Borough since 1998. The current lease agreement expires in 2017.

As part of the Phase V project, the Borough submitted a Condition of Need certificate application to the State in July 2013. That application was conditionally approved, but required some modifications. Specifically, certain project components associated with x-ray imaging and CT scan equipment and facilities were rejected, requiring resubmittal of the project budget to the State.

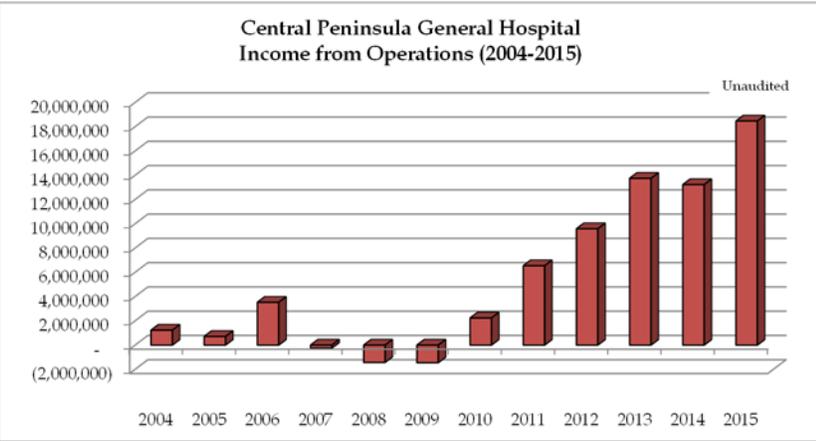
The financial condition of CPGH has improved significantly in the past eight years. During that period, the hospital has expanded the types of medical services offered and captured market share of procedures and treatments that formerly required travel outside the Borough. For example, in 2011 the Borough hired a spinal surgical specialist. In 2012 that practice, which had not been available in the Borough, generated \$11.2 million of additional revenue to the hospital. In 2007, the hospital’s operating revenues (net of contractual adjustments for Medicare, Medicaid and private insurance) totaled \$62.6 million. By fiscal year 2014, operating revenues had more than doubled to \$126.7 million.

The graph to the right page presents CPGH operating revenues over the past 12 years.

As the graph demonstrates, operating revenues have shown a consistent growth pattern during the last decade. From 2004 through 2015 total operating revenues have increased by nearly 250%. This translates into a compounded annual growth rate of slightly more than 12%. That growth pattern continued in 2015 based on unaudited figures.



CPGH administration implemented a 6% rate increase for FY2014. This produced gross patient revenues of \$230.6 million and net patient revenue after deductions of \$134.0 million. CPGH administration believes that with increased revenue pressure resulting from healthcare reform, modest rate increases will position the hospital to increase market share through both



competitive pricing and increased service lines and state-of-the-art equipment.

Annual price increases are not uncommon at CPGH. Since 2000, the hospital has increased rates annually an average of 7.38%. Modest increases have allowed the hospital to improve its financial health significantly. Some of financial improvement has been the result of funded capital projects and additional service

lines. Maintaining competitive pricing has also allowed CPGH to absorb increasing levels of uncompensated care.

In FY2013, CPGH worked to increase awareness of expense control. These efforts have included significant amounts of department director education, strong negotiations with the nurses union, negotiations with a new hospitalist group, development of a dual health insurance plan, and negotiations with supply vendors for increased discounts. These have resulted in cost savings for the organization that, management believes, will continue to enhance financial results in fiscal year 2016 and beyond.

Certificate of Need

The State’s Department of Health and Social Services takes an active role in insuring that the medical facilities in the State are sufficient to meet demand, but do not exceed demand. The Certificate of Need program is a review process that, according to the DHSS is “designed to promote responsive health facility and service development, rational health planning, health care quality, and health care cost containment.” The State’s review of the CON application involves an assessment of both a project’s design and service delivery objectives. Because the State is a primary source of funds for medical services throughout Alaska through Medicaid, it is in the State’s economic interest to insure that patients, and the State, are receiving the most benefit from the State’s investment.

The Commissioner of the Department of Health and Social Services approved the Borough's Certificate of Need application with an anticipated project completion date of spring of 2016. The CON application cites a total cost of \$38,382,896 for construction, equipment and furnishings. This total reflects the rejection of the amounts associated with x-ray imaging and CT scan equipment and facilities. The hospital is also purchasing equipment and related improvements with the bond funds totaling \$2,984,677, which will be located in the SCB and did not require a CON.

Security Pledge

Central Peninsula General Hospital, Inc. has leased the buildings and land at CPGH since 1998. The Specialty Clinic Building will be located adjacent to the hospital. The Borough will pledge gross revenues from Central Peninsula General Hospital facilities to the Bond Bank loan. The payments from Central Peninsula General Hospital, Inc. will be made in approximately equal monthly amounts and will be sufficient to fund all debt service requirements on the Bond Bank loan. The additional bonds test in the Borough's revenue bond resolution requires that, before additional parity bonds may be issued, the Borough must demonstrate that pledged revenues available to pay debt service on the new bonds and on bonds issued on parity with the Bond Bank bonds are sufficient to cover existing and projected debt service by 1.25 times based on revenue collections in any 12 consecutive months of the prior 24 months. The Borough may include estimated revenues associated with additions and betterments to the facilities as well as any rate or rent increases that have been implemented or approved. Alternatively, the Borough may issue additional parity bonds if the financial statements in any two of the prior three years demonstrate that one-half pledged revenues were sufficient to produce 1.25 times debt service coverage.

The 2015 loan will be the third issued under the Borough's revenue bond resolution and it includes a rate covenant that requires the Borough to establish, maintain and collect pledged revenues sufficient to cover debt service by 1.25 times. If the Borough fails to maintain revenues sufficient to meet the rate covenant, the bond resolution requires the Borough to retain an expert consultant to make recommendations on implementing rate increases.

With the issuance of the Bond Bank's 2015 loan, the Borough will have approximately \$118.8 million of bonds outstanding to the Bond Bank, including the bonds of service areas within the Borough. The proposed loan will mature within 8 years.

In 2011 the Bond Bank issued bonds that refunded general obligation bonds issued by the Borough on behalf of the Central Kenai Peninsula Hospital Service Area in 2003 for improvements to the CPGH. Through 2010, those bonds were paid with proceeds of a property tax levied on properties within the Service Area. Since 2010, those bonds have been paid from operating revenues of the hospital. Consequently, the property tax rate declined from 0.5 mils to the current rate of .01 mils.

Future Capital Plans

A request for solid waste bonds in the amount of approximately \$12,000,000 is expected to be submitted to the voters in October 2016. If approved, the first series of these bonds would be issued in 2017 or 2018 and repaid over a 6 year period and used to develop a new cell at the Central Peninsula Landfill. The second series is expected to be issued in 2025. Central Emergency Services (CES) is projecting that in FY2019, it will be remodeling Station #1. The estimated cost is approximately \$8,000,000 with funding to be provided from the sale of bonds. These bonds would be the responsibility of the CES Service Area. No other debt issues are planned by the Borough at this time.

State-Aid Intercept

In addition to the general obligation pledge by the Borough, the Bond Bank has the ability to intercept state-shared revenues that will otherwise flow to the Borough. The table below summarizes the revenues subject to intercept, along with the maximum annual debt service on Borough's bonds.

Shared Taxes and Fees	\$1,402,081
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$2,781,075
Education Support Funding	\$79,544,016
Matching Grants	\$18,385,802
Community Jails	\$0
PILT Transfers	\$0
Revenue Sharing	\$2,124,472
Total Revenue Subject to Intercept	\$104,237,446
Fiscal Year 2016 Debt Service (includes 2015 Loan DS)	\$13,958,898
Debt Service Coverage	7.47

Estimated Borrower Savings

Savings to the Borough as a result of borrowing through the Bond Bank are estimated at approximately \$134 thousand or \$118 thousand on a present value basis. Savings are a result of lower costs of issuance that the Borough will face as a result of borrowing from the Bond Bank, as well as lower assumed yields.

Statement of No Litigation

The Bond Bank has a letter from Collette Thompson, the Borough Attorney, dated April 2, 2015 stating that "there is no litigation pending or threatened affecting the corporate existence of Borough... or seeking to restrain or enjoin the issuance, sale or delivery the Bonds, or the rights of the Borough to pay the principal of and interest on the Bonds, ... or in any way contesting or affecting the validity or enforceability of the Bonds or the Loan Agreement between the Borough and the Bank..."

Summary

Based on our assessment, the security offered by Borough, as set forth in the Borough's loan application and supplemental materials, provides sufficient security to justify approval of the application. The gross revenue pledge provide extremely high debt service coverage of the Bond Bank loan. The Bond Bank will require that a debt service reserve fund, held by the Bond Bank's trustee, be funded at closing. Additionally, the Bond Bank's ability to intercept state-shared revenues that would otherwise flow to the Borough in the event of a failure by the Borough to make timely payments provides the ultimate security for this loan.

We recommend approval of this loan application. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC



Chip Pierce

Kenai Peninsula Borough Economic and Demographic Information

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 miles. The Borough is located in the south central part of the state of Alaska. The Borough is empowered to levy a property tax on both real and personal properties located within its boundaries. State of Alaska law mandates that second-class boroughs provide certain services on an area-wide basis to all taxpayers. All other services must be approved by a majority of voters who are to receive the services. This gives taxpayers control over the type and level of services they receive and pay for. Currently, the Borough provides the following area-wide services: assessment and collection of property taxes and sales tax collection for the Borough and cities within the Borough, planning, solid waste disposal, education, senior citizen funding, post secondary education, 911 emergency communications, emergency management and general administrative services. Other services provided by the Borough include fire protection, hospital services, emergency medical and ambulance services, recreation, senior citizen funding, road maintenance, economic development, tourism promotion, and special assessment authority for utility line extensions and road improvement districts. The Borough also has non-area-wide port and harbor powers that are not currently exercised. Funding for the Borough, by order of financial significances, is provided from property tax, sales tax, state revenue, federal revenue, interest earnings, and other sources.

The Borough is home to 8 percent of Alaska's population and 6 percent of its employment. More than 56,000 people live in the Borough. Kenai is accessible by the Sterling Highway to Anchorage, Fairbanks, Canada and the lower 48 states. Scheduled and charter airlines and helicopter services are provided. Ocean-going freighters can be tendered at Seward, Homer and Kenai.

The Borough supports a diverse economy. Employment is concentrated in local government, retail trade, leisure and hospitality, natural resources and health care. Together they represented most of the Borough's employment in 2012.

The Borough economy has experienced consistent, gradual growth since the late 1980's. Borough-wide, the general government property tax rate decreased from 8.59 mills in FY1996 to 4.5 mills in FY2009, where it has remained. The Borough has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales reported in fiscal year 2014 within the Borough were \$1,023,993,000, an increase of 3.2% from the prior year, but a 16.5% increase from 2010, when the Borough felt the results of the recession that impacted the state and the rest of the nation. Sales tax continues to generate a larger portion of the Borough's revenue; in 1998, sales tax revenue represented 21% of total general fund revenues; in 2015, sales tax revenues are projected to represent almost 42%. It should be noted that the sales tax rate went from 2% to 3% effective January 1, 2008, which also allowed for a reduction in property tax rates to its current rate of 4.5 mills.

Oil and gas continues to play a vital role in the Borough's economy, although the players are changing. Large national and multinational companies are being replaced by independents, which has resulted in a resurgence in exploration and production. New players include Buccaneer Energy, Cook Inlet Energy and Hilcorp Energy, which purchased the assets of Chevron in 2012 and Marathon Oil in 2013. This has led to new wells in the Anchor Point and Kenai area, jack up rigs being used throughout Cook Inlet, along with increased exploration in other areas of the Borough, resulting in an increase in assessed value for oil and gas properties. Assessed values for oil and gas properties increased from \$703 million for 2010, to \$1.225 billion in 2016. Increased oil and gas exploration has also had an impact on the Borough's unemployment rate. The unemployment rate has decreased from 10.0% in 2010; to 9.4% for 2011; to 8.4% for 2012, and to 7.9% for 2013 and 7.7% in 2014.



WESTERN
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GROUP

\$96,210,000 General Obligation Bonds, 2015 Series Three

Deven Mitchell
Executive Director
Alaska Municipal Bond Bank
P.O. Box 110405
Juneau, AK 99811

September 16, 2015

Dear Deven:

With the sale of the Alaska Municipal Bond Bank's General Obligation Bonds, 2015 Series Three on August 26, 2015 I have prepared this sale results summary.

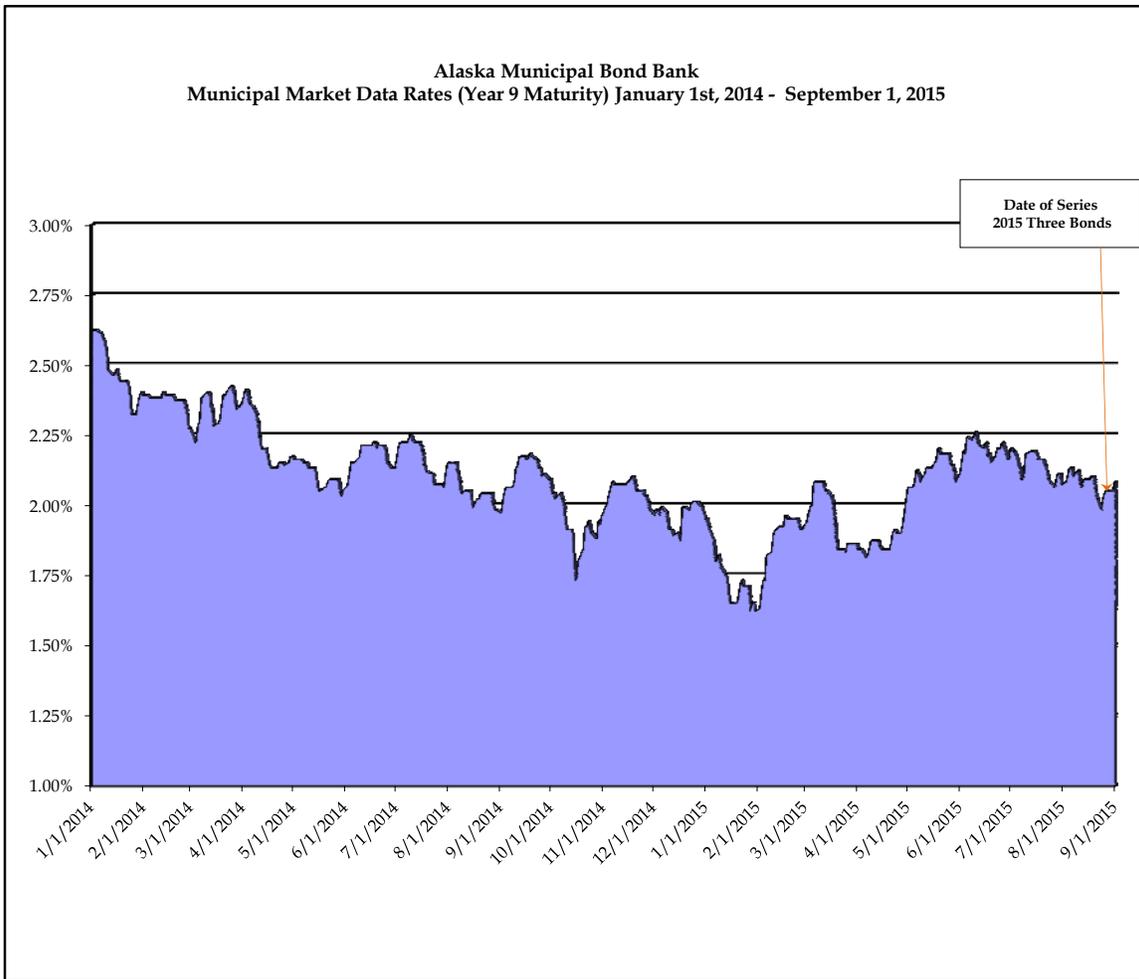
The 2015 Series Three Bonds were sold by negotiated sale to RBC Capital Markets as senior manager with Bank of America Merrill Lynch and Goldman Sachs as co-managers. The table below summarizes the true interest cost, average life and underwriter costs of recent Bond Bank issues, including the 2015 Series Three Bonds. As the table indicates, underwriter compensation remains at very low levels and, after a run up during the summer of 2013, interest rates have traded in a relatively narrow range.

Issue	TIC	Average Life	Underwriter Cost (per \$1,000)
2015 Three	3.6984%	18.153	\$3.56
2015 Two	3.6255	11.732	3.03
2015 One	2.7652	8.173	2.90
2014 Three	3.3368	13.214	3.09
2014 Two	3.7806	18.742	2.75
2014A One	3.5484	12.374	2.94
2014B One	2.2643	4.318	2.52
2013 Three	4.1274	16.753	3.19
2013 Two	3.4048	11.843	3.20
2013 One	3.6056	17.671	3.15
2012 Three	1.7607	6.387	4.50
2012 Two	2.1554	7.149	4.50
2012 One	1.5210	4.928	3.50
2011 Three	2.5669	7.855	4.01
2011 Two	3.2693	8.277	10.92

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Portland, OR 97229

From early 2014 through the end of the year, rates followed a downward seesaw pattern that resulted in an overall decline of as many as 100 basis points. From mid-January rates increased 50-70 basis points by early summer in reaction to an improving economy and the consequent concerns about coming Federal Reserve rate actions.

The graph below presents the yield on the nine year maturity of a AAA rated bond according to Municipal Market Data. As the graph demonstrates, the past two years have been characterized by fluctuations in the yields of highly rated bonds, with rates hitting recent lows approximately seven months ago.



The tone of the municipal bond market leading up to the sale was not particularly good. Tax-exempt rates increased between 5 and 10 basis points from the Monday preceding the sale to the pricing date on Wednesday, August 26th. In addition, on August 18th Standard & Poor’s lowered the outlook on the State’s credit rating from “stable” to “negative”, indicating that the rating agency has increased the chance of that it will downgrade the State’s credit rating within the next year. Because of the tie between the Bond Bank’s rating and the State’s rating, the “negative outlook” applies to the Bond Bank’s rating as well. As a result of the combination of increasing rates and the cloud resulting from the S&P rating action, the market receptivity to the Bond Bank issue among institutional investors was weaker than has historically been the case.

The table below presents the AMBB and MMD scales for sample maturities of the 2015 Series Three Bonds with a comparison to the yield spreads to the MMD for the 2013 Series Three through the 2015 Series Two Bonds. The yields have been adjusted to reflect the “yield kick” associated with callable premium bonds. The yield kick reflects the yield of a premium bond assuming that bond is called at its first call date, rather than maturing at the stated maturity date. Callable premium bonds are priced to the earliest call date, so the yield associated with the first call date is a more accurate measure of the true yield facing issuers, and allows an apple-to-apples comparison of discount, par and premium bonds.

The results of the 2015 Three sale continued a trend that began with the 2015 One Bonds in which Bond Bank bonds have traded on a wider basis compared to the MMD AAA index. Credit spreads have widened for all municipal credits in the past six months. In addition, the credit concerns surrounding the State budget deficit magnified the spread associated with the 2015 Three Bonds.

	MMD (8/26/15)	AMBB (2015 III Bonds)	Difference (2015 III Bonds)	Difference (2015 II Bonds)	Difference (2015 I Bonds)	Difference (2014 III Bonds)	Difference (2014II Bonds)	Difference (2014A I Bonds)	Difference (2013 III Bonds)
Year 1	0.23	0.60	.37	.00	.10	.02	.10	.05	.03
Year 3	0.86	1.22	.36	.33	.19	.07	.15	.10	.09
Year 5	1.32	1.78	.46	.40	.27	.13	.19	.14	.10
Year 8	1.92	2.52	.60	.50	.37	.19	.24	.24	.29
Year 12	2.37	3.42	1.05	.87	.89	.61	.55	.59	.63
Year 14	2.55	3.72	1.17	1.01	.91	.80	.65	.73	.75
Year 15	2.63	3.89	1.26	.95	1.01	.86	.68	.76	.76

On the afternoon of August 24th members of the working group convened in person and by conference call to discuss the marketing the 2015 Series Three Bonds. The intent of this call was to discuss the condition of the market, the general structure of the financing and the schedule for the pricing. The 2015 Three Bonds were to be sold with semi-annual amortizations, with new money bonds maturing on October 1st (totaling approximately \$100 million) and refunding bonds maturing on April 1st (totaling approximately \$50 million). The primary components of the new money bonds were the \$87 million loan to the University of Alaska and a total of \$8 million in loans to Kodiak Island Borough. The largest refunding borrowers were Seward (a total of approximately \$25 million of refunding bonds), Dillingham (approximately \$9 million) and the City of Kodiak (approximately \$7 million).

On Tuesday morning, August 25th the working group reconvened to discuss the scale for the retail order period, during which only the smaller refunding component (with April maturities) would be offered. At that point, RBC proposed a scale that spread as much as 55 basis points to the MMD AAA scale, which was a spread close to where the Bond Bank has traded in recent years, and would have represented a spread tightening relative to the Bond Bank’s most recent sales.

On Tuesday the underwriters offered the refunding portion of the sale to retail investors while assessing institutional investor interest on the new money October maturities based on the yields at which the refunding maturities were being offered.

Investor response during the retail order period was inconclusive, and the tone of the market continued to worsen. The Bond Bank received a total of \$9.8 million in retail orders, or slightly less than 20% of the bonds being offered during the retail order period. Based on the investor response and the general deterioration of the market, the RBC underwriter recommended yields ranging 0.64% in 2017 to 4.03% in 2038 for the refunding money bonds and 0.78% in 2017 to 4.18% in 2044 on the new money bonds. The difference in yields, particularly in the early maturities, between the refunding and new money issues related to the maturity dates and the steepness of the yield curve inside of 12 years.

On the morning of August 26th the working group convened to discuss the coupons and yields that would appear on the pricing wire for the 2015 Three Bonds. Given the generally tepid response from institutional investors on Tuesday, the RBC underwriter proposed widening spreads from the yields offered during the retail order period. For the refunding maturities (principal payments in April) this included 5 basis point adjustments through 8 years, 7 basis point adjustments in 2024 and 2025, an 8 basis point adjustment in 2026, 10 basis points in 2027 and 12 basis points in 2028 and 2029. The 2030 and 2031 bonds would be marketed as 4% coupon bonds along with the 2032 and 2033 bonds at an upward adjustment of 20 basis points. The 2036 and 2038 term bonds would be marketed as discount bonds at increased yields of 8 and 10 basis points respectively. With respect to the 2015 Three Bonds maturing in October (the new money maturities), the RBC underwriter recommended increasing the spread to MMD from 3 to 11 basis points throughout the 29 year structure of the bonds. In addition, RBC recommended marketing the 2026 through 2028 and 2033 through 2036 bonds at a 5.25% coupon, with spreads to MMD ranging from 3 to 5 basis points. WFG recommended reducing the spread to MMD on those maturities by 3 to 4 basis points, reflecting the greater yield kick impact associated with the 5.25% coupon. RBC agreed to these adjustments.

The institutional marketing of the 2015 Three Bonds did not go well. At the conclusion of the order period there were orders for roughly 40% of the total issue, and those orders were concentrated in the early maturities. The longer maturities generally had few, if any, orders. Based on the yield adjustments that were going to be necessary to place the bonds, the working group concluded that proceeding with the refunding portion of the sale did not make sense. Savings levels had fallen below minimum targets and negative arbitrage in the escrow was well in excess of present value savings for the borrowers that were advance refunding prior Bond Bank bonds. The Bond Bank will work with those issuers to attempt to achieve savings on those prior issues in a subsequent Bond Bank bond sale.

Based on investor response, the RBC underwriting team recommended yield adjustments on the new money bonds that averaged approximately 15 basis points from 2017 out, adjusted for some couponing changes in later maturities. At those adjustments, RBC would underwrite approximately \$37 million, or nearly 40%, of issue.

At that point, the Bond Bank team consulted with the University of Alaska and its financial advisor to discuss whether or not to move forward based on what were admittedly significant upward yield adjustments. The University felt that, in spite of the increased rates, the underwriting proposal from RBC and the co-managers allowed the University to achieve the financing objectives associated with its overall plan of

financing. Consequently, the University recommended moving forward, and the Bond Bank provided RBC with the verbal award.

Based on a follow-up call with the RBC underwriter on Thursday, August 27th, approximately \$18 million of the balance had been placed the day after the verbal award and the balance has been worked off or distributed to the syndicate members in subsequent days.

The proceeds of the 2015 Series Three Bond sale were provided to four borrowers (the University of Alaska, Haines Borough, Kodiak Island Borough and the City of King Cove) for new money purposes. The table below summarizes the estimated present value savings achieved by the participants to the 2015 Series Three sale.

Borrower	Loan Par	Gross Savings	Present Value Savings
University of Alaska	\$86,085,000	----	----
Haines Borough	1,155,000	154,400	103,500
Kodiak Island Borough (High School)	6,210,000	398,600	279,500
Kodiak Island Borough (RnwI. & Rplcmt.)	1,780,000	76,400	63,500
King Cove	980,000	351,600	213,700

The bond sale closed on September 16th in Seattle. As always, it was a pleasure to serve the Bond Bank on this transaction. If you have any questions, please feel free to call me.

Sincerely,



Chip Pierce



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Mark Pfeffer, Pam Leary, Luke Welles,
Gregory Gurse, Michael Lamb

DATE: September 11, 2015

FROM: Deven Mitchell, Executive Director

TELEPHONE: 465-3750

Following are updates on items not covered in the September 22, 2015 Agenda:

Pricing of 2015 Series Three Bonds took place on August 25 and 26. The market was not very cooperative and as a result yields increased on our bonds. This yield shift resulted in the refinancing component of the transaction being dropped for lack of value. The 30 year rate for the University of Alaska's loan was still just over 4%. The bonds were closed in Seattle on 15 and 16 of September.

On August 27 I met with officials from the USDA, AIDEA, YKHC, and other contractors in Washington DC. The purpose of the meeting was to support the request of YKHC for a \$164 million loan for their Bethel hospital project. Feedback from the meeting participants was positive, and I expect YKHC to apply for and be qualified to receive the USDA loan this month.

Ryan and I have had several telephone calls with officials of the Norton Sound Health Corporation. They are interested in using the Bond Bank to fund clinic projects in Savoonga and Gambell.

Over the course of the last month Bank of New York officials have made several efforts to overcome the intent to terminate their contract. This culminated with the visit of Corporate Trust Executive Vice President Richard Stanley and Bank Corporate Trust Managing Director Antonio Portuondo. Based on their presentations and commitment to evolving their handling of the account combined with the administrative effort required to procure the services it was determined that we would wait place a stay on cancellation of the contract. The contract otherwise expires in October 2016.

I currently expect the next issue of the Bond Bank is projected for a December or January pricing and closing. The issue is currently expected to be smaller with a total size of approximately \$12 to \$13 million. If that size sticks it is likely that we will sell the bonds on a competitive basis. This would change if it appeared that market conditions had improved to allow for the refinancing to occur.